

19 Enterprise Zone Employee Credit

3553

Attach to your California tax return.

Name(s) as shown on return

Social security number

Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on Side 2 to see if you qualify to take this credit.

Step 2: Complete the form below to figure your credit.

1 Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	
2 If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500	2	
3 Add line 1 and line 2	3	
4 Multiply the amount on line 3 by 5% (.05)	4	
5 Enter the amount from Form 540, line 17; or Form 540NR, line 17	5	
6 If the amount on line 5 is:		
• Equal to or less than the amount on line 3, enter -0- here and skip to line 10		
• More than the amount on line 3, enter the amount from line 3	6	
7 Subtract line 6 from line 5	7	
8 Multiply line 7 by 9 cents (.09).	8	
9 Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit	9	
10 Enter the total amount of enterprise zone wages. See instructions.	10	
11 Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions	11	
12 Net enterprise zone wage income. Subtract line 11 from line 10.	12	
13 Enter the amount of tax for the amount on line 12. See instructions.	13	
14 Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you skipped line 9 and entered zero (-0-) on line 6, enter the smaller of line 4 or line 13. See the instructions for Form 540 (or Form 540NR) for claiming the credit on your income tax return	14	

Caution: Your credit may be limited. See the instructions for line 14.

General Information

A Purpose

Use this form (1) to see if you qualify for a credit of a portion of wages you earned while working within the boundaries of a California enterprise zone and (2) to figure the credit if you qualify to claim it. You must use Form 540, California Resident Income Tax Return, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, to claim this credit.

B Description

The credit is 5% of each employee's qualified wages for the year (maximum credit is \$525 per employee). Qualified wages are wages earned in the geographic areas designated as enterprise zones. Parts of the following areas and cities are enterprise zones:

- Altadena/Pasadena
- Antelope Valley
- Bakersfield/Kern (SE Bakersfield)
- Calxico
- Coachella Valley
- Delano
- Eureka
- Fresno
- Kings County
- Lindsay
- Long Beach
- Los Angeles – Central City
- Los Angeles – Eastside
- Los Angeles – Harbor Area
- Los Angeles – Mid-Alameda Corridor
- Los Angeles – NE Valley (formerly Pacoima)
- Madera
- Merced/Atwater
- Oakland
- Oroville
- Pittsburg
- Porterville
- Redding/Anderson (Shasta Metro)

- Richmond
- Sacramento – Army Depot
- Sacramento – Florin/Perkins
- Sacramento – Northgate
- San Bernardino/Riverside (Agua Mansa)
- San Diego – San Ysidro/Otay Mesa
- San Diego – SE Barrio Logan
- San Francisco
- San Jose
- Santa Ana
- Shafter
- Siskiyou County (Shasta Valley)
- Stockton
- Watsonville
- West Sacramento
- Yuba/Sutter

The zones are designated by the California Trade and Commerce Agency (TCA). They do not include zones designated by the federal government. For more information, call the TCA at (916) 324-8211.

C Qualifications

To qualify for this credit in 1998, you:

- Performed at least 50% of your compensated work within the boundaries of an enterprise zone in California;
- Spent at least 90% of your work time on activities that are directly related to the operation of the trade or business located within the enterprise zone; and
- Did not work for any federal, California state or local government.

Complete the Qualification Checklist on Side 2 of this form to see if you qualify for the enterprise zone employee credit.

D Limitations

Zone Income Limitation

You may not apply the credit toward any taxes due on income you and your spouse earned outside the enterprise zone or prior to the zone designation.

Income Limitations

The maximum amount of qualifying wages is \$10,500 for each enterprise zone employee. You must reduce this credit by 9 cents (.09) for each dollar of income you received that is more than your qualified enterprise zone wages.

This credit cannot reduce regular tax below the tentative minimum tax (TMT). See Schedule P (540 or 540NR) for more information. This credit is not refundable and any unused credit may not be carried over to succeeding years.

Specific Line Instructions

Line 10 — Total enterprise zone wages are all enterprise zone wages. This amount is not limited to \$10,500 like the amounts on line 1 and line 2.

Line 11 — Generally, this amount will be \$0 (zero dollars). However, expenses that may be included on this line include employee business expenses that you paid for such as union dues, work clothes and uniforms, tolls used in your work, employment-related education and occupational taxes. Personal expenses such as commuting expenses are not deductible and **cannot** be included on this line.

Line 13 — Find the amount of tax from the tax table in the Form 540 or Form 540NR instructions for the amount shown on line 12. Use the same filing status you used on your Form 540 or Form 540NR.

Line 14 — The amount of this credit you can claim on your income tax return may be limited further. See the credit instructions in your Form 540 or Form 540NR booklet for more information. These instructions also explain how to claim this credit on your income tax return. You must use code number **169** when you claim this credit.

Enterprise Zone Employee Credit Qualification Checklist

Purpose of Checklist

Use this checklist to see if you qualify to take the enterprise zone employee credit for 1998.

Note: If you have more than one job, answer the questions separately for each job.

Qualification Checklist

1. Did you work in an enterprise zone during 1998? An enterprise zone is an area designated by the California Trade and Commerce Agency. Your employer can verify if the business operates in an enterprise zone. See the list on Side 1, General Information B, Description.
☐ Yes. Go to question 2.
☐ No. STOP, you do not qualify for the credit.
 2. Do you work for the United States government, the state of California or a city or county government located in California?
☐ No. Go to question 3.
☐ Yes. STOP, you do not qualify for the credit.
 3. Were 50% or more of the hours you worked for your employer worked at your employer's location in the enterprise zone?
☐ Yes. Go to question 4.
☐ No. STOP, you do not qualify for the credit.
 4. Were 90% or more of the hours you worked for your employer related to your employer's business activity located in the enterprise zone?
☐ Yes. Go to question 5.
☐ No. STOP, you do not qualify for the credit.
 5. Will you file your tax return using the filing status single, head of household or qualifying widow(er)?
☐ Yes. Go to question 7.
☐ No. Go to question 6.
 6. Did you and your spouse both work in the enterprise zone?
☐ Yes. Go to question 8.
☐ No. Go to question 7.
 7. Is your California adjusted gross income (AGI) equal to or more than \$16,334? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540EZ or Form 540A, complete line 1 through line 14. If you use Form 540, complete line 1 through line 17. If you use Form 540NR, complete Schedule CA (540NR) line 1, column E through line 33, column E.)
☐ Yes. STOP, you do not qualify for the credit.
☐ No. Go to form FTB 3553, Side 1 and complete line 1 through line 14 to figure the credit.
 8. Is your California AGI equal to or more than \$32,667? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540EZ or Form 540A, complete line 1 through line 14. If you use Form 540, complete line 1 through line 17. If you use Form 540NR, complete Schedule CA (540NR) line 1, column E through line 33, column E.)
☐ Yes. STOP, you do not qualify for the credit.
☐ No. Go to form FTB 3553, Side 1 and complete line 1 through line 14 to figure the credit. Use Form 540 or Form 540NR to claim the credit.
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Checklist Instructions

How do I know if I meet the 50% test in Question 3?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location, then you need to divide your hours worked at the location in the enterprise zone by your total hours worked for the employer to determine if you have met the 50% test.

How do I know if I meet the 90% test in Question 4?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location during the year, then you need to ask your employer if you have met this test.

Additional Information

Where can I get more information?

See the examples on Side 3 or call the Franchise Tax Board (FTB) at (916) 845-3464.

Examples

Example 1: John Smith worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 1998 and earned wages of \$12,600. John also paid alimony of \$3,000 during the year. John figured his California AGI using Form 540. California AGI is \$9,600 (wages of \$12,600 less alimony paid of \$3,000). John is single.

John has met all the requirements to qualify for the credit and is now ready to figure the credit.

The sample form FTB 3553 shows how John figured his credit.

YEAR		EXAMPLE 1		CALIFORNIA FORM	
19 98		Enterprise Zone Employee Credit		3553	
Attach to your California tax return.					
Name(s) as shown on return				Social security number	
J O H N S M I T H					
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on Side 2 to see if you qualify to take this credit.					
Step 2: Complete the form below to figure your credit.					
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	10,500		
2	If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500	2			
3	Add line 1 and line 2	3	10,500		
4	Multiply the amount on line 3 by 5% (.05)	4	525		
5	Enter the amount from Form 540, line 17; or Form 540NR, line 17	5	9,600		
6	If the amount on line 5 is: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10 • More than the amount on line 3, enter the amount from line 3	6	0		
7	Subtract line 6 from line 5	7			
8	Multiply line 7 by 9 cents (.09)	8			
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	9			
10	Enter the total amount of enterprise zone wages. See instructions.	10	12,600		
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	11	0		
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12	12,600		
13	Enter the amount of tax for the amount on line 12. See instructions.	13	209		
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you skipped line 9 and entered zero (-0-) on line 6, enter the smaller of line 4 or line 13. See the instructions for Form 540 (or Form 540NR) for claiming the credit on your income tax return.	14	209		
Caution: Your credit may be limited. See the instructions for line 14.					

Example 2: Bill and Maria Jones worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 1998. Bill earned wages of \$13,860 and Maria earned wages of \$9,340. They had no other taxable income or expenses for the year. Bill and Maria are married and file a joint return. They have figured their California AGI using Form 540. California AGI is \$23,200 (Bill's wages of \$13,860 plus Maria's wages of \$9,340).

Bill and Maria have met all the requirements to qualify for the credit and are now ready to figure the credit.

The sample form FTB 3553 below shows how Bill and Maria figured their credit.

YEAR		EXAMPLE 2		CALIFORNIA FORM	
19 98		Enterprise Zone Employee Credit		3553	
Attach to your California tax return.					
Name(s) as shown on return				Social security number	
B I L L & M A R I A J O N E S					
Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on Side 2 to see if you qualify to take this credit.					
Step 2: Complete the form below to figure your credit.					
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500	1	10,500		
2	If you file a joint return, enter the total amount of wages your spouse earned working in an enterprise zone. Do not enter more than \$10,500	2	9,340		
3	Add line 1 and line 2	3	19,840		
4	Multiply the amount on line 3 by 5% (.05)	4	992		
5	Enter the amount from Form 540, line 17; or Form 540NR, line 17	5	23,200		
6	If the amount on line 5 is: • Equal to or less than the amount on line 3, enter -0- here and skip to line 10 • More than the amount on line 3, enter the amount from line 3	6	19,840		
7	Subtract line 6 from line 5	7	3,360		
8	Multiply line 7 by 9 cents (.09)	8	302		
9	Subtract line 8 from line 4. If the result is zero or less, STOP . You do not qualify for this credit.	9	690		
10	Enter the total amount of enterprise zone wages. See instructions.	10	23,200		
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	11	0		
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12	23,200		
13	Enter the amount of tax for the amount on line 12. See instructions.	13	361		
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you skipped line 9 and entered zero (-0-) on line 6, enter the smaller of line 4 or line 13. See the instructions for form 540 (or Form 540NR) for claiming the credit on your income tax return.	14	361		
Caution: Your credit may be limited. See the instructions for line 14.					